

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:	)	CHAPTER 11 CASES
DIVERSE ENERGY SYSTEMS, LLC	)	CASE NO. 15-34736
SCRIBNER INDUSTRIES, INC.	)	CASE NO. 15-34737
DIVERSE ENERGY SYSTEMS, LLC d/b/a LEAN TECHNOLOGIES, LLC	)	CASE NO. 15-34738
ROULY, INC.	)	CASE NO. 15-34739
Debtors.	)	<b>Joint Administration Pending</b>
	)	<b>Emergency Hearing Requested</b>

**DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER  
PURSUANT TO RULE 1015(b) OF THE FEDERAL RULES OF  
BANKRUPTCY PROCEDURE DIRECTING JOINT ADMINISTRATION  
OF CASES FOR PROCEDURAL PURPOSES ONLY**

**THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.**

**EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.**

**REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Diverse Energy Systems, LLC ("Diverse Holdings"), Scribner Industries, Inc. ("Scribner"), Diverse Energy Systems, LLC d/b/a Lean Technologies, LLC ("Diverse"), and Rouly, Inc. ("Rouly") and, collectively with Diverse Holdings, Scribner and Diverse, the "Debtors", as debtors and debtors in possession, file this emergency motion for entry of an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") directing the joint administration of their respective chapter 11 cases (the "Motion") and respectfully represent as follows:

**JURISDICTION AND VENUE**

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

**BACKGROUND**

**A. Procedural Background**

2. On September 7, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief in this Court under chapter 11 of the Bankruptcy Code.

3. The Debtors continue to operate their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. To date, no creditors' committee has been appointed in the Debtors' cases by the United States Trustee. Further, no trustee or examiner has been requested or appointed in these chapter 11 cases.

**B. The Debtors' Business**

**1. Corporate Structure**

5. Diverse Holdings was formed in November 2011 as a Texas limited liability company. Diverse Holdings acquired Diverse, a North Dakota company, in 2012 and is the sole owner and direct parent of Diverse. Since Diverse Holdings' acquisition of Diverse, all of the Debtors' business, including subsequent acquisitions, has been conducted through Diverse, while Diverse Holdings has remained a holding company. Diverse is the sole owner and direct parent of Scribner, which, in turn, is the sole owner and direct parent of Rouly.

6. In addition to Scribner, Diverse also directly owns Acquisitions Finance Group, Inc., which is the sole owner and direct parent of ITS Engineered Systems, Inc. ("ITS").<sup>1</sup> Thus, Diverse is the indirect parent of ITS.

## **2. Nature of the Debtors' Business**

7. Diverse is a provider of integrated solution platforms for upstream and midstream customers in the natural gas production, oil production, and water treatment industries. Diverse manufactures new oil and gas field service equipment to be sold on a single unit basis or as a group. Diverse also manufactures certain types of equipment, primarily artificial lift, power generation and vapor recovery units, to be used in its rental fleet. Regardless of whether a customer chooses to lease or purchase the equipment, it is configured to appropriately accommodate the characteristics of the specific application it will service. Additionally, Diverse offers support and maintenance service to its customers for both leased and owned equipment. Headquartered in Houston, Texas, Diverse has personnel and facilities in every major oil and gas basin and over 250,000 sq. ft. of production space with manufacturing facilities in Hobbs, New Mexico, Katy and Odessa, Texas, and Grafton, North Dakota.

8. At the close of 2012, Diverse acquired Scribner and Rouly, which provided it with a 5,000 square foot manufacturing facility and office in Odessa, Texas, and a 10,000 square foot manufacturing facility in Hobbs, New Mexico, to support the Debtors' operations in the Permian

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<sup>1</sup> In addition to ITS, Acquisitions Finance Group, Inc. also owns an entity called ITS Water Solutions, Inc.

Basin.

9. In order to build an infrastructure capable of supporting substantial continued revenue growth, Diverse made significant investments in SG&A and facilities in 2012, 2013 and 2014. As the Company was poised to take advantage of an increase in revenue related to the boom in U.S. fracking, the industry slowed as the price of oil plummeted, leaving Diverse with an inflated cost structure for the current revenue level. As a result, the Debtor's management has been forced to make difficult but necessary adjustments to rightsize the Company, reducing personnel and employee benefits, in order to conserve cash.

#### **RELIEF REQUESTED AND BASIS FOR RELIEF**

10. By this Motion, the Debtors seek, pursuant to Rule 1015(b) of the Bankruptcy Rules, the joint administration of the Debtors' chapter 11 cases for procedural purposes.

11. Bankruptcy Rule 1015(b) provides, in relevant part:

If a joint petition or two or more petitions are pending in the same court by or against ... a debtor and an affiliate, the court may order a joint administration of the estates.

Fed. R. Bankr. P. 1015(b). The Debtors are "affiliates" as that term is defined in section 101(2) of the Bankruptcy Code, in that Diverse Holdings is the sole owner and direct parent of Diverse North Dakota, and Diverse North Dakota is the sole owner and direct parent of Scribner, which, in turn, is the sole owner and direct parent of Rouly. Accordingly, this Court is authorized to grant the relief requested herein. Further, Bankruptcy Courts have previously granted similar relief in other Chapter 11 cases. See, e.g., *In re Heartland Automotive Holdings, Inc., et al.*, Case No. 08-40047 (Bankr. N.D. Tex. January 9, 2008); *In re Pilgrims Pride Corp., et al.*; Case No. 08-45664 (Bankr. N.D. Tex. Dec. 3, 2008); *In re Mirant Corp., et al.*, Case No. 03-46590 (Bankr. N.D. Tex. July 16, 2003); and *In re Kitty Hawk, Inc., et al.*, Case No. 07-44536 (Bankr. N.D. Tex. Oct. 17, 2007).

12. Joint administration of the Debtors' chapter 11 cases will expedite the administration of these cases and reduce administrative expenses without prejudicing any

creditor's substantive rights. For example, joint administration will permit the Clerk of the Court to utilize a single general docket for these cases and combine notices to creditors of the Debtors' respective estates and other parties in interest. The Debtors anticipate that numerous notices, applications, motions, other pleadings and orders in these cases will affect all of the Debtors. Joint administration will permit counsel for all parties in interest to include the Debtors' respective cases in a single caption on the numerous documents that will be filed and served in these cases. Joint administration also will enable parties in interest in each of the above-captioned chapter 11 cases to be apprised of the various matters before the Court in these cases.

13. The entry of an order of joint administration will: (a) significantly reduce the volume of paper that otherwise would be filed with this Clerk of this Court; (b) simplify for the Office of the United States Trustee the supervision of the administrative aspects of these chapter 11 cases; (c) render the completion of various administrative tasks less costly; and (d) minimize the number of unnecessary delays associated with the administration of these chapter 11 cases. Additionally, because this is not a motion for the substantive consolidation of the Debtors' estates, the rights of parties in interest will not be prejudiced by the proposed joint administration of these cases because each creditor may still file its claim against the estate of the Debtor it possesses a claim against. In fact, the rights of all creditors will be enhanced by the reduction in costs resulting from joint administration.

14. The Debtors propose that the following activities be joined for administrative purposes only:

- (a) All of the Debtors shall file separate Schedules of Assets and Liabilities and Statement of Financial Affairs and, to the extent applicable, List of Equity Security Holders;
- (b) One disclosure statement and plan of reorganization may be (but is not required to be) filed for all of the Debtors' cases by any plan proponent;
- (c) Hearings in these jointly administered cases shall be joint hearings unless otherwise specified; and

- (d) One consolidated docket shall be kept by the Clerk, with separate claims registers for each Debtor's case.

15. The Debtors submit that joint administration of the above-captioned cases is in the Debtors' best interest, as well as those of their respective estates, creditors, and other parties in interest.

**LIMITED NOTICE**

16. Notice of this Motion has been provided to (i) the office of the United States Trustee for the Southern District of Texas, (ii) the holders of the twenty (20) largest unsecured claims against the Debtors, (iii) the Debtors' secured lender(s), and (iv) all other parties requesting notice in these chapter 11 cases. The Debtors respectfully submit that no other or further notice need be provided.

**PRAYER**

WHEREFORE, the Debtors respectfully request that this Court enter an order providing for the joint administration of these chapter 11 cases for procedural purposes and the consolidation of mailing lists in each of the cases for future noticing requirements. The Debtors also request such other and further relief to which they may be entitled.

Dated: September 7, 2015

Respectfully submitted,

/s/ J. Robert Forshey  
J. Robert Forshey  
State Bar No. 07264200  
Suzanne K. Rosen  
State Bar No. 00798518  
Clarke V. Rogers  
State Bar No. 24052901  
FORSHEY & PROSTOK, L.L.P.  
777 Main Street, Suite 1290  
Fort Worth, Texas 76102  
Phone: (817) 877-8855  
Fax: (817) 877-4151  
[bforshey@forsheyprostok.com](mailto:bforshey@forsheyprostok.com)  
[srosen@forsheyprostok.com](mailto:srosen@forsheyprostok.com)  
[crogers@forsheyprostok.com](mailto:crogers@forsheyprostok.com)

PROPOSED ATTORNEYS FOR DEBTORS  
AND DEBTORS IN POSSESSION

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document was served upon the parties listed on the attached service list via United States Mail, first class postage prepaid, on September 8, 2015 and via ECF electronic Notice, if available, on September 7, 2015.

/s/ J. Robert Forshey  
J. Robert Forshey

**CERTIFICATE OF ACCURACY**

The undersigned hereby certifies that the facts contained in the foregoing Motion are true and correct to the best of his knowledge.

/s/ Todd A. Hass  
Todd A. Hass  
Authorized Representative of the Debtors

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# **SERVICE LIST**



**Service List**  
**Diverse Energy Systems, et al.**  
**#5759**

Diverse Energy Systems, LLC, et al.  
Attn: Todd A. Hass, CFO  
1301 McKinney, Suite 3300  
Houston, TX 77010

Office of the U.S. Trustee  
515 Rusk Ave., Suite 3516  
Houston, TX 77002

IRS – U.S. Treasury  
PO Box 7346  
Philadelphia, PA 19101

National Oilwell Varco, L.P., - Mfg.  
10000 Richmond Avenue, Suite 100  
Houston, TX 77042

Howard Operating – HEP  
17806 IH-10 West, Suite 210  
San Antonio, TX 78257

Greatwide Dallas Mavis, LLC  
PO Box 405828  
Atlanta, GA 30384-5828

Mustang CAT Power Systems  
12800 Northwest Freeway  
Houston, TX 77040

**Jim Anderson**  
**272 Edennold Dr. NW**  
**Calgary, Alberta T3A4A4**  
**CANADA**

Ratner Steel Supply Company  
MI14  
P.O. Box 9201  
Minneapolis, MN 55480-9201

Murphy Industries  
Dept. 96-0494  
Oklahoma City, OK 73196-0494

United Holdings LLC  
dba Buck's Engines  
PO Box 731595  
Dallas, TX 75373-1595

CGSI  
PO Box 941417  
Houston, TX 77094

Pannell Kerr Forster  
5847 San Felipe, Suite 2400  
Houston, TX 77057-3092

StrongFab Solutions, Inc.  
P.O. Box 41266  
Houston, TX 77241

FMC Technologies Measurement Solutions,  
Inc.  
14121 Collections Center Drive  
Chicago, IL 60693

Knighten Machine & Service, Inc.  
dba Knighten Industries  
3323 N. County Rd. W.  
Odessa, TX 79764

Twin Stars Compression, LLC  
100 Iowa  
Bloomfield, NM 87413

Ventech Process Equipment, Inc.  
PO Box 4261  
Pasadena, TX 77502

Erwin Caraballo  
6020 NW 99th Ave., Suite 308  
Doral, FL 33178

Texas Industrial Engine Parts, Inc.  
PO Box 590  
George West, TX 78022

World Wide Electric Corp.  
3540 Winton Place  
Rochester, NY 14623

Houston Global Heat Transfer  
14446 Smith Rd.  
Humble, TX 77396

**George Fort**  
**Ave. 3G No 71-37**  
**Maracaibo, Venezuela**

Industrial Piping Specialists Inc.  
P.O. Box 581270  
Tulsa, OK 74158

Command Center, Inc.  
P.O. Box 951753  
Dallas, TX 75395-1753

Westair-Praxair Distribution  
dba West Air Gas & Equipment  
PO Box 1339  
Abilene, TX 79604

Blackmer, Division of Dover Energy  
1809 Century SW  
Grand Rapids, WI 49503

Robert D. Duncan  
dba DK Trucking  
PO Box 13378  
Odessa, TX 79768

General Steel Warehouse, Inc.  
P.O. Box 2037  
Lubbock, TX 79408

Angus Measurement Systems, LP  
PO Box 14440  
Odessa, TX 79768

Elliott Electric Supply Inc.  
PO Box 630610  
Nacogdoches, TX 75963

Quail Energy Services, LP  
PO Box 777  
Andrews, TX 79714

Anton Friske  
78 Shiloh Rd.  
Odessa, TX 79762

Custom Fiberglass Inc.  
PO Box 70  
Mills, WY 82644

Precision Welding and Machine, LLC  
PO Box 61710  
Midland, TX 79711-1710

Valley Industrial X-Ray & Inspection Service, Inc.  
APPLUS RTD – VIXR Lockbox  
25636 Network Place  
Chicago, IL 60673-1256

Enterprise Fleet Management Inc.  
PO Box 800089  
Kansas City, MO 64180-0089

Mario A. Castro  
dba Ace Sheetmetal Production  
3237 S. Einstein Ave.  
Odessa, TX 79766

Duncan Co.  
425 Hoover Street NE  
Minneapolis, MN 55413

Hughes Oilfield Transportation, Inc.  
2513 N Mercury Ave.  
Odessa, TX 79763-1922

Grainger  
4110 S County Road 1276  
Midland, TX 79706

Ameripride Linen  
P.O. Box 3160  
Bemidji, MN 56619-3160

Permian Machinery Movers, Inc.  
P.O. Box 11281  
Odessa, TX 79760-8281

Alerus Financial - Alerus Acct  
P.O. Box 6001  
Grand Forks, ND 58206

Integral Equipment Leasing, LLC  
1301 McKinney, Suite 3300  
Houston, TX 77010

Nations Equipment Finance  
501 Merritt Seven, 6th Floor  
Norwalk, CT 06851

Fountain Partners  
50 California St., Suite 3330  
San Francisco, CA 94111

City of Grafton  
Municipal Utilities  
P.O. Box 578  
Grafton, ND 58237

Ally  
P.O. Box 9001948  
Louisville, KY 40290-1948

Liberty Power Holdings, LLC  
25901 Network Place  
Chicago, IL 60673

City of Odessa  
411 West 8<sup>th</sup> St.  
Odessa, TX 79760

AT&T  
PO Box 5001  
Carol Stream, IL 60197

AT&T Mobility  
PO Box 6463  
Carol Stream, IL 60197

Direct TV  
PO box 78626  
Phoenix, AZ 85062

Waste Management  
PO Box 4648  
Carol Stream, IL 60197

De Lage Landen Financial Services, Inc.  
PO Box 41602  
Philadelphia, PA 19101-1602

Midcontinent Communications  
PO Box 5010  
Sioux Falls, SD 57117

SRT Communications  
P.O. Box 2027  
Minot, ND 58702-2027

TW Telecom  
PO box 172567  
Denver, CO 80217

Municipal Utilities  
PO Box 578  
Grafton, ND 58237

CenturyLink  
PO Box 91154  
Seattle, WA 98111

Polar Communications  
P.O. Box 270  
Park River, ND 58270

Montana Dakota Utilities Co.  
PO Box 5600  
Bismarck, ND 58506-5600

Verendrye Electric Cooperative  
615 Hwy 52 West  
Velva, ND 58790

Comcast Corporation  
One Comcast Center, 32<sup>nd</sup> Floor  
Philadelphia, PA 19103

Refuse Disposal Service  
1463 Detweiler Dr.  
Grafton, ND 58237-2603

The Aldridge Company  
P.O. Box 56506  
Houston, TX 77256